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FM AMEMBASSY ABU DHABI  
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INFO RUEHLB/AMEMBASSY BEIRUT 0568  
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

C O N F I D E N T I A L ABU DHABI 000324

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STATE FOR NEA/ARP, NEA/ELA, NEA/RA  
STATE PASS TO USAID

E.O. 12958: DECL 02/24/2017

TAGS: EAID PHUM LE AE

SUBJECT: UAE OFFICIALS SIGN AGREEMENT FOR \$300 MILLION LOAN TO  
LEBANON

REF: A. 06 ABU DHABI 4474

1B. ABU DHABI 197

1C. ABU DHABI 141

1D. ABU DHABI 195

Classified by Ambassador Michele J. Sison for reasons 1.4 (b&d).

11. (U) On February 20, 2007, the UAE signed an agreement to extend a \$300 million "easy-term" loan to Lebanon, which the UAE pledged at the January 25 Paris donors' conference. According to local press reports, the loan will be repayable in 20 years at a 2.5 percent interest rate plus 0.5 percent loan management fee, with a five-year grace period for repayment.

12. (U) The agreement was signed by the Acting Director General of Abu Dhabi Development Fund, Ahmed Hussain Al Bager, and the Lebanese Finance Minister, Jihad Azour, in a ceremony in Beirut attended by the UAE Ambassador to Lebanon, Mohammed Sultan Al Suwaidi, and the Lebanese Prime Minister, Fouad Siniora.

13. (U) Lebanese Finance Minister Jihad Azour told the press that the loan would be used to relieve the burden of public debt on the Lebanese economy. Azour also said Lebanon would send periodic reports on the loans to the Abu Dhabi Development Fund.

14. (C) On February 6, Econoff met with Al Bager to discuss the loan to Lebanon. During that meeting, Al Bager stated "the Abu Dhabi Fund for Development does not provide debt services relief." He added that cash is very difficult to give since the Fund cannot keep track of what it is being used for (Ref D). On February 25, Econoff spoke to Al Bager who confirmed that the \$300 million would indeed be used to relieve the Lebanese public debt. Al Bager explained that although the Fund does not usually provide debt services relief, "The situation in Lebanon is unusual and Lebanon has heavy debts to be serviced." He also said, "The Fund decided to use the money for the Lebanese public debt instead of projects since other countries are providing project money."

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